

3. My firm prepared Reviewed Financial Statements for Captain Parker Arms for the year ending December 31, 2003 ("2003 Year-End Financial Statement"), a true copy of which is attached hereto as Exhibit A. As set forth therein, the non-real estate assets of Captain Parker Arms were \$326,852 as of December 31, 2003 and the partnership liabilities were \$3,457,659 as of December 31, 2003.

4. To calculate net income for the purposes of his appraisal, the appraiser hired by the Plaintiffs, Eric Reenstierna Associates, used assumed revenue and expense figures. According to the 2003 Year-End Financial Statement (see Exhibit A hereto, at p. 3), actual 2003 revenue was \$1,524,552 (\$1,520,544 was assumed), and actual 2003 expenses were \$993,055 (\$556,864 was assumed), generating actual 2003 net income of \$531,497 (\$963,680 was assumed).

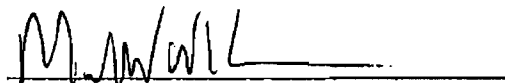
5. As Captain Parker Arms' accountants, my firm also prepares the partnership's income tax returns. As part of the 2003 income tax return, Forms K-1 were prepared for each partner, including each of the Plaintiffs. True copies of the 2003 Forms K-1 for each of the Plaintiffs are attached hereto as Exhibit B. As reflected in the Plaintiffs' Forms K-1, each Plaintiff had a negative balance in his or her Captain Parker Arms partnership capital account at year-end 2003. The aggregate negative partnership capital account balance for the Plaintiffs was \$421,212 as of year-end 2003. As of October 1, 2003, the aggregate negative partnership capital account balance for the Plaintiffs was computed to be approximately \$428,871.

6. A negative partnership capital account balance can be viewed as a loan from the partnership to the individual partner, because it means the partner has withdrawn more money (or received distributions) from the partnership than (a) he/she paid into the partnership, plus (b) partnership earnings allocated to that partner. By the time the partnership terminates, or upon

withdrawal from the partnership, a partner must repay to the partnership his or her negative capital account. Accordingly, if the Plaintiffs are deemed to have withdrawn from the Captain Parker Arms partnership as of October 1, 2003, they must repay to the partnership their aggregate negative partnership capital account balance, or approximately \$428,871.

9. I understand that Captain Parker Arms has not offered its property for sale, and that one of the reasons is that a considerable capital gains tax and depreciation recapture at ordinary income rates would be triggered by any such sale. I have attempted to calculate the capital gain and depreciation recapture which would have been generated if Captain Parker Arms had sold its property in 2003 for any of the values reported in the Eric Reenstierna Associates appraisal attached to the Tropeano Affidavit. Using the assumed sale values reported in the Eric Reenstierna Associates appraisal, and assuming that the Dorman family (Defendants) still owned only 57.14% of the partnership shares, I estimate that the Dorman family's income taxes from such a sale would be between \$1,583,887 and \$2,330,150. In addition the Tropeano family (Plaintiffs) would have owed considerable capital gains tax and depreciation recapture at ordinary income rates. These capital gains taxes and depreciation recapture at ordinary income rates can be a substantial disincentive to sale of the Captain Parker Arms property.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 8th day of December, 2006.


Michael W. Keane

CERTIFICATE OF SERVICE

I hereby certify that this document filed through the ECF system pursuant to Local Rule 5.4 will be sent electronically to all other parties.

_____/s/ Christine M. O'Connor____

CAPTAIN PARKER ARMS REALTY TRUST

REVIEWED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003

Keane  Chiuve
& COMPANY, P.C.
Certified Public Accountants

DORMAN-CPA 001379

CAPTAIN PARKER ARMS REALTY TRUST
REVIEWED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

DORMAN-CPA 001380



CAPTAIN PARKER ARMS REALTY TRUST

TABLE OF CONTENTS

	<u>Page</u>
ACCOUNTANTS' REVIEW REPORT	1
FINANCIAL STATEMENTS:	
STATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITAL DECEMBER 31, 2003	2
STATEMENT OF REVENUES AND EXPENSES YEAR ENDED DECEMBER 31, 2003	3
STATEMENT OF CHANGES IN PARTNERS' CAPITAL YEAR ENDED DECEMBER 31, 2003	4
STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2003	5
NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003	6 - 7

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ACCOUNTANTS' REVIEW REPORT

To the Partners
Captain Parker Arms Realty Trust
Lexington, Massachusetts

We have reviewed the accompanying statement of assets, liabilities and partners' capital of Captain Parker Arms Realty Trust (a partnership) as of December 31, 2003, and the related statements of revenues and expenses, changes in partners' capital, and cash flows for the year then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Captain Parker Arms Realty Trust.

A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Keane, Chiuve & Company, P.C.

Keane, Chiuve & Company, P.C.

April 11, 2005

CAPTAIN PARKER ARMS REALTY TRUSTSTATEMENT OF ASSETS, LIABILITIES AND PARTNERS' CAPITALDECEMBER 31, 2003ASSETS

CURRENT ASSETS:

Cash	\$ 310,266
Accounts receivable	8,188
Prepaid expenses	<u>8,398</u>
Total current assets	<u>326,852</u>

PROPERTY AND EQUIPMENT, AT COST:

Land	36,338
Buildings and improvements	4,144,461
Equipment	<u>126,148</u>
	4,306,947
Less: accumulated depreciation	<u>2,161,726</u>
Property and equipment, net	<u>2,145,221</u>

TOTAL ASSETS \$ 2,472,073LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:

Current portion of long-term debt	\$ 147,922
Accounts payable	57,406
Accrued expenses	85,339
Accrued interest	7,226
Security deposits	<u>104,514</u>
Total current liabilities	402,407

LONG-TERM DEBT, NET OF CURRENT MATURITIES 3,055,252TOTAL LIABILITIES 3,457,659PARTNERS' CAPITAL (DEFICIENCY) (985,586)TOTAL LIABILITIES AND PARTNERS' CAPITAL \$ 2,472,073

See Accountants' Review Report and Notes to Financial Statements.



CAPTAIN PARKER ARMS REALTY TRUST
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003

REVENUES:	
Rental income	\$ 1,514,956
Interest income	357
Other income	<u>9,239</u>
Total revenues	<u>1,524,552</u>
OPERATING EXPENSES:	
Interest expense	205,112
Depreciation and amortization	138,230
Gas heat	86,771
Repairs and maintenance	82,669
Management fees	78,968
Water and sewer	75,382
Real estate taxes	69,592
Salaries and wages - maintenance	53,119
Landscaping	35,420
Electricity	27,625
Unit repairs	27,527
Salaries and wages - office	20,320
Advertising	18,422
Professional fees	17,076
Insurance	15,934
Office expenses	14,365
Trash removal	14,267
Snow removal	11,673
Other operating expenses	<u>583</u>
Total operating expenses	<u>993,055</u>
NET INCOME	<u>\$ 531,497</u>

See Accountants' Review Report and Notes to Financial Statements.



CAPTAIN PARKER ARMS REALTY TRUST
STATEMENT OF CHANGES IN PARTNERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2003

PARTNERS' EQUITY (DEFICIT), BEGINNING OF YEAR	\$(952,083)
Net income	531,497
Distributions to stockholders	<u>(565,000)</u>
PARTNERS' EQUITY (DEFICIT), END OF YEAR	<u>\$(985,586)</u>

See Accountants' Review Report and Notes to Financial Statements.



CAPTAIN PARKER ARMS REALTY TRUSTSTATEMENTS OF CASH FLOWSFOR THE YEAR ENDED DECEMBER 31, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 531,497
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	138,230
Changes in operating assets and liabilities:	
Accounts receivable	(8,188)
Prepaid expenses	(3,069)
Accounts payable	(4,770)
Accrued expenses	80,477
Accrued interest	5,320
Prepaid rents	(33,790)
Security deposits	<u>11,254</u>
Net cash provided by (used in) operations	<u>716,961</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of long-term debt	(146,428)
Partners distributions	<u>(565,000)</u>
Net cash provided by (used in) financing activities	<u>(711,428)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Additions to property and equipment	<u>(43,115)</u>
-------------------------------------	------------------

NET INCREASE (DECREASE) IN CASH (37,582)

CASH BALANCE, BEGINNING OF YEAR 347,848CASH BALANCE, END OF YEAR \$ 310,266

See Accountants' Review Report and Notes to Financial Statements.



CAPTAIN PARKER ARMS REALTY TRUSTNOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED DECEMBER 31, 2003Note 1 - Summary of Significant Accounting Policies

Organization - Captain Parker Arms Realty Trust was organized as a partnership in 1965. The partnership owns and operates a 94 unit apartment complex in Lexington, Massachusetts.

Property and Equipment - Buildings and improvements are being depreciated principally under the straight-line method over their estimated useful lives. Equipment and appliances are being depreciated under the double declining balance method with useful lives of 5 to 7 years.

Security Deposits - Security deposits are held in a separate interest - bearing money market account.

Allowance for Doubtful Accounts - Accounts receivable have been reviewed by management and it has been determined that there is no requirement for an allowance for doubtful accounts as of December 31, 2003.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising - Advertising costs, which are principally included in operating expenses, are expensed as incurred.

Fair Value of Financial Instruments - Carrying amounts of certain of the Association's financial instruments, including cash and cash equivalents and other accrued liabilities, approximate fair value because of their short maturities.

Note 2 - Income Taxes

No provision for income taxes has been made since any taxable income or loss of the partnership is recognized by the individual partners based on their proportionate share of partnership interest.

Note 3 - Long - Term Debt

Long - term debt at December 31, 2003 consists of the following:

Mortgage note payable, Citizens Bank 5.711%, payable in monthly installments of \$21,946, including interest, final maturity January 2008, collateralized by a security interest in real estate	\$ 2,510,451
---	--------------

Mortgage note payable, Citizens Bank, 6.50%, payable in monthly installments of \$5,816, including interest, final maturity January 2008, collateralized by a security interest in real estate	<u>692,723</u>
--	----------------

Total	3,203,174
Less: current maturities	<u>147,922</u>
Long-term debt, net	<u>\$ 3,055,252</u>



CAPTAIN PARKER ARMS REALTY TRUSTNOTES TO FINANCIAL STATEMENTSFOR THE YEAR ENDED DECEMBER 31, 2003Note 3 - Long-Term Debt (Continued)

Maturities of the mortgage notes payable are expected to be as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2004	\$ 147,922
2005	156,955
2006	166,404
2007	176,426
2008	<u>2,555,487</u>
Total	\$ <u>3,203,194</u>



Exhibit B

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SCHEDULE K-1
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**
See separate instructions

OMB No. 1545-0099

2003Dept. of the Treasury
Internal Revenue Service
Partner #: 1

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 026-18-6387

FOR OFFICIAL USE ONLY

Partner's name, address, and ZIP code:

PHILIP L. TROPEANO
210 DODGE STREET

BEVERLY MA 01915

Partnership's identifying number: 04-6161511

Partnership's name, address, and ZIP code:

CAPTAIN PARKER ARMS REALTY TRUST
C/O THE DOLBEN CO., INC.25 CORPORATE DR #210
BURLINGTON MA 01803A This partner is a ☒ general partner ☐ limited partner
☐ limited liability company memberB What type of entity is this partner? **Individual**C Is this partner a ☒ domestic or a ☐ foreign partner?
(i) Before change or termination (ii) End of yearD Enter partner's percentage of:
Profit sharing% 21.430000%
Loss sharing% 21.430000%
Ownership of capital% 21.430000%E IRS Center where partnership filed return:
Cincinnati, OH 45999-0011F Partner's share of liabilities (see instructions):
Nonrecourse \$
Qualified nonrecourse financing \$
Other \$ 698,743

G Tax shelter registration number.....

H Check here if this partnership is a publicly traded
partnership as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-195,926		113,900	121,079	-203,105
(a) Distributive share item			(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss):				
2 Net income (loss) from rental real estate activities	2	113,823		See pg. 6 of Partner's Instr. for Sch. K-1
4 Portfolio income (loss):				
a Interest income	4a	77		Form 1040, line 8a
Investment Interest:				
14b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1)	77		See pg. 9 of Partner's Instr. for Sch. K-1
Adjustments and Tax Preference Items:				
16a Depreciation adjustment on property placed in service after 1986	16a	205		See pg. 9 of Partner's Instr. for Sch. K-1
Other:				
22 Distributions of money (cash and marketable securities)	22	121,079		See pg. 10 of Partner's Instr. for Sch. K-1

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For Paperwork Reduction Act Notice, see Instructions for Form 1065.

Schedule K-1 (Form 1065) 2003

DAA

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SCHEDULE K-1
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**

See separate instructions



OMB No. 1545-0099

2003Dept. of the Treasury
Internal Revenue Service
Partner #: 2

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 024-34-2635

Partner's name, address, and ZIP code:

PETER TROPEANO

19 REVERE STREET

LEXINGTON

MA 02420

Partnership's identifying number: 04-6161511

Partnership's name, address, and ZIP code:

CAPTAIN PARKER ARMS REALTY TRUST

C/O THE DOLBEN CO., INC.

25 CORPORATE DR #210

BURLINGTON

MA 01803

FOR OFFICIAL USE ONLYA This partner is a ☒ general partner ☐ limited partner
☐ limited liability company memberB What type of entity is this partner? **Individual**C Is this partner a ☒ domestic or a ☐ foreign partner?

(i) Before change or termination (ii) End of year

D Enter partner's percentage of:

Profit sharing % 10.715000%

Loss sharing % 10.715000%

Ownership of capital % 10.715000%

E IRS Center where partnership filed return:
Cincinnati, OH 45999-0011

F Partner's share of liabilities (see instructions):

Nonrecourse \$

Qualified nonrecourse financing \$

Other \$ 349,371

G Tax shelter registration number.....

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-105,465		56,949	60,540	-109,056

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss):		
2 Net income (loss) from rental real estate activities	2 56,911	See pg. 6 of Partner's Instr. for Sch. K-1
4 Portfolio income (loss):		
a Interest income	4a 38	Form 1040, line 8a
Investment Interest:		
14b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1) 38	See pg. 9 of Partner's Instr. for Sch. K-1
Adjustments and Tax Preference Items:		
16a Depreciation adjustment on property placed in service after 1986	16a 103	See pg. 9 of Partner's Instr. for Sch. K-1
Other:		
22 Distributions of money (cash and marketable securities)	22 60,540	See pg. 10 of Partner's Instr. for Sch. K-1

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SCHEDULE K-1
(Form 1065)**Partner's Share of Income, Credits, Deductions, etc.**

See separate instructions



OMB No. 1545-0099

2003Dept. of the Treasury
Internal Revenue Service
Partner #: 3

For calendar year 2003 or tax year beginning , and ending

Partner's identifying number: 031-28-8062

Partner's name, address, and ZIP code:

CAROLYN M PATTEN
PO BOX 298

BRANT ROCK MA 02020-0298

Partnership's identifying number: 04-6161511

Partnership's name, address, and ZIP code:

CAPTAIN PARKER ARMS REALTY TRUST
C/O THE DOLBEN CO., INC.
25 CORPORATE DR #210
BURLINGTON MA 01803

FOR OFFICIAL USE ONLY

A This partner is a ☒ general partner ☐ limited partner
☐ limited liability company memberB What type of entity is this partner? **Individual**C Is this partner a ☒ domestic or a ☐ foreign partner?

(i) Before change or termination (ii) End of year

D Enter partner's percentage of:

Profit sharing% 10.715000%
Loss sharing% 10.715000%
Ownership of capital% 10.715000%E IRS Center where partnership filed return:
Cincinnati, OH 45999-0011

F Partner's share of liabilities (see instructions):

Nonrecourse \$
Qualified nonrecourse financing \$
Other \$ 349,371

G Tax shelter registration number.....

H Check here if this partnership is a publicly traded partnership as defined in section 469(k)(2)..... ☐I Check applicable boxes: (1) ☐ Final K-1 (2) ☐ Amended K-1**J Analysis of partner's capital account:**

(a) Capital account at beginning of year	(b) Capital contributed during year	(c) Partner's share of lines 3, 4, and 7, Form 1065, Schedule M-2	(d) Withdrawals and distributions	(e) Capital account at end of year (combine columns (a) through (d))
-105,460		56,949	60,540	-109,051

(a) Distributive share item	(b) Amount	(c) 1040 filers enter the amount in column (b) on:
Income (Loss):		
2 Net income (loss) from rental real estate activities	2 56,911	See pg. 6 of Partner's Instr. for Sch. K-1
4 Portfolio income (loss):		
a Interest income	4a 38	Form 1040, line 8a
Investment Interest:		
14b (1) Investment income included on lines 4a, 4b(2), 4c, and 4f	14b(1) 38	See pg. 9 of Partner's Instr. for Sch. K-1
Adjustments and Tax Preference Items:		
16a Depreciation adjustment on property placed in service after 1986	16a 102	See pg. 9 of Partner's Instr. for Sch. K-1
Other:		
22 Distributions of money (cash and marketable securities)	22 60,540	See pg. 10 of Partner's Instr. for Sch. K-1

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